

Message Text

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INFO OCT-01 ISO-00 CIAE-00 PM-07 H-03 INR-10 L-03 NSAE-00

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COME-00 ABF-01 AID-20 IGA-02 OMB-01 DRC-01 /182 W

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FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 1860

SECDEF WASHDC PRIORITY

INFO USNMR SHAPE

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 4628

E.O. 11652: GDS, 12/31/79

TAGS: PFOR, NATO

SUBJECT: SENATE ACTION ON PROCUREMENT BILL: THE NATO PERSPECTIVE

SUMMARY: WHILE NET EFFECT OF SENATE AMENDMENTS TO PROCUREMENT BILL REGARDING FORCE LEVELS AND BURDEN-SHARING REMAINS UNCLEAR, THIS WEEK'S DEVELOPMENTS IN SENATE HAVE BROUGHT HOME DRAMATICALLY TO ALL ALLIES THAT U.S. ADMINISTRATION CAN NO LONGER COUNT ON CONTROLLING FORCES IN SENATE WHO PUT HIGHER VALUE ON MILITARY RETRENCHMENT THAN ON PRESENT TROOP LEVELS AS ESSENTIAL ELEMENT OF U.S. SECURITY POSTURE IN EUROPE. ALLIES ARE IN CHASTED MOOD, AND MOST ARE QUICK TO ADMIT NEED FOR PROMPT POLITICAL ACTION TO EASE U.S. BOP DIFFICULTIES AND MOLLIFY U.S. SENATE, BUT THEY ARE STILL LOOKING TO FRG TO BEAR THE BRUNT OF REMEDIAL MEASURES. FRG IN TURN APPEARS WILLING TO RECOGNIZE U.S. DIFFICULTIES, BUT ONLY IN CONTEXT OF OVERALL BALANCE OF PAYMENTS TERMS AND NOT IN TERMS OF "MILITARY ACCOUNT" STANDARD SET BY JACKSON-NUNN AMENDMENT. ASSUMING LATTER AMENDMENT SURVIVES HOUSE-SENATE CONFERENCE SUBSTANTIALLY CONFIDENTIAL

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IN PRESENT FORM AND BECOMES LAW, WE WILL NEED TO ACCELERATE MULTILATERAL BURDEN SHARING EFFORTS IN TANDEM WITH BILATERAL U.S-FRG OFFSET NEGOTIATIONS, AND TO STRESS ALLIED OUTLAYS WITH IMMEDIATE (1974) EFFECT. THIS MESSAGE GIVES INITIAL

ALLIED REACTIONS TO SENATE ACTIONS TO DATE ON PROCUREMENT BILL; PROVIDES USNATO ANALYSIS OF GENERAL EFFECT OF JACKSON-NUNN AMENDMENT ON ALLIED BURDEN-SHARING EFFORT; AND POSES QUESTIONS OF INTERPRETATION OF CURRENT VERSION OF AMENDMENT. END SUMMARY.

1. ALLIED REACTIONS-WHILE ALLIES ON SEPTEMBER 28 HAD NOT YET ABSORBED FULL SIGNIFIANCE OF PROVISIONS OF JACKSON-NUNN AND HUMPHREY AMENDMENTS (AS AMENDED) AND WERE AWAITING FINAL SENATE ACTION ON PROCUREMENT BILL BEFORE GIVING THEIR CONSIDERED VIEWS, PASSAGE OF AMENDMENTS HAS BROUGHT HOME TO THEM FACT THAT ADMINISTRATION CAN NO LONGER COUNT ON A SENATE MAJORITY TO SUPPORT CURRENT FORCE LEVELS IN EUROPE UNTIL AN MBFR AGREEMENT IS ACHIEVED. THIS DOES NOT MEAN THAT WE CAN EXPECT ANY IMMEDIATE RESULTS IN TERMS OF RADICALLY REVISED ALLIED ATTITUDES TORARDS BILATERAL OR MULTILATERAL BURDEN SHARING, BUT IT DOES MEAN THAT BURDEN SHARING HAS BECOME ONE OF THE MORE PRESSING ISSUES FACING ALLIANCE. SYG LUNS NOTED THAT IT LENDS IMMEDIACY TO AN ISSUE ON WHICH ALLIES WOULD INFINITELY PREFER TO SIT ON THEIR HADNDS.. STATEMENT BY BELGIAN REP IN AD HOC BURDEN SHARING COMMITTEE MEETING ON SEPTEMBER 28 (MEETING REPORTED SEPTTEL), TO EFFECT THAT ALLIES MUST SEPARATE U.S. MILITARY DEFICIT FROM OVERALL CURRENT ACCOUNT FIGURES AND FROM BASIC BALANCE SO AS TO CONSIDER

THIS PROBLEM SEPARATELY AND ON A PRIORITY BASIS, FOUND WIDE SUPPORT IN COMMITTEE. ALTHOUGH BELGIUM AND MOST OTHERS ALSO WANTED TO PLACE PROBLEM IN PERSPECTIVE OF OVERALL U.S. BALANCE, WHICH IS IMPROVING, FRG ALONE PRESSED THIS VIEW TO THE POINT OF DENYING VALIDITY OF "MILITARY ACCOUNT". WHILE UNLIKELY TO CONTRIBUTE TO MULITLATERAL SOLUTION BECAUSE OF ITS OWN CONSISTENT DEFICIT ON MILITARY ACCOUNT AS RESULT OF STATIONING OF MAOR, UK IS STANDING ASIDE AND NOT PRESSING ITS OWN POTENTIAL CLAIM TO OFFSET.

2. LEGAL EFFECTS-WE HAVE IMPRESSION THAT HUMPHREY AMENDMENT (AS AMENDED) UNCONDITIONAL REDUCTION OF U.S. OVERSEAS FORCES SUSTAINED WOULD VITIATE CHALLENGE TO ALLIES IN JACKSON-NUNN AMENDMENT) (U.S. FORCES CUTS CONDITIONAL ON EXTENT THAT ALLIES FAIL TO PROVIDE OFFSET) ON CONFIDENTIAL

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ASSUMPTION THAT HEAVY MAJORITY IN FAVOR OF JACKSON-NUNN AMENDMENT MAKES IT THE MORE LIKELY OF THE TWO TO SURVIVE IN SOME FORM AFTER HOUSE-SENATE CONFERENCE, WE CONFINED DISCUSSION BELOW TO POTENTIAL EFFECTS OF LATTER AMENDMENT.

3. AS WE UNDERSTAND IT, AMENDMENT IN ITS PRESENT FORM WOULD REQUIRE OFFSET OF "ANY BALANCE OF PAYMENT DEFICIT...AS THE RESULT OF THE DEPLOYMENT OF FORCES IN EUROPE IN FULFILLMENT OF THE TREATY COMMITMENTS AND OBLIGATIONS OF THE UNITED STATES" WITH A CUTOFF DATE IN 1974. AMENDMENT DOES NOT APPEAR TO RULE OUT ANY FORM OF OFFSET; SECTION C LISTS POSSIBLE OFFSET MEASURES, BUT DOES NOT LIMIT OFFSET TO THESE MEASURES. IT WOULD THUS APPEAR THAT FINANCIAL MEASURES COULD ALSO BE

TAKEN INTO ACCOUNT IN GAO RECONING. IN ANY EVENT, EMPHASES
IN IMMEDIATE FUTURE SHOULD IN VIEW OF AMENDMENT BE ON POSSIBLE
OPTIONS ENTAILING ACTUAL OUTLAYS BY ALLIES IN FAVOR OF U.S.
IN FY 74 AS OPPOSED TO COMMITMENTS FOR FUTURE YEARS. OF
OPTIONS IDENTIFIED IN CURRENT ALLIED STUDY, ADDITIONAL
PROCUREMENT BY ALLIES IN U.S, DIRECT PAYMENTS TO U.S. TO
COVER COST OF LOCAL WAGES, BUDGETED OPERATIONAL AND CAPITALS
COSTS, AND FINANCIAL LOANS WOULD APPEAR TO HAVE DESIRED EFFECT.
OTHER OPTIONS, SUCH AS JOINT BASING, WOULD REQUIRE PLANNING AND
ARE UNLIKELY TO SHOW ANY BOP RESULTS IN CURRENT FISCAL YEAR.
IF JACKSON-NUNN AMENDMENT WERE EXPANDED TO COVER
FY 74-75 ON OTHER HAND, PROSPECT FOR LONGER RANGE PROJECTS
TO RESULT IN DIRECT BOP BENEFIT, SUCH AS REDUCED U.S. SHARE OF
INFRASTRUCTURE PROGRAM, MIGHT MORE READILY BE REALIZED.

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4. LIST OF QUESTIONS LEFT OPEN BY AMENDMENT IS VIRUTALLY
ENDLESS, AND GAO INTERPRETATION OF CURRENT AS
WELL AS ANY SUPPLEMENTARY ALLIED EFFORTS WILL BE MOST IMPROTANT. IN
PARTICULAR, WE SEE FOLLOWING POINTS WHERE AMENDMENT LEAVES ROOM FOR
CONSIDERATION:

A. WOULD GAO RECOGNIZE FIGURES FOR TOTAL ALLIED OFFSET GOAL
FOR FY 1974 WHICH WE ARE USING IN BURDEN SHARING STUDY GROUP
(\$2.7 BILLION IN CURRENT DOCUMENT)?

B. IF NO, WHAT U.S. COSTS WOULD BE RECONED IN DETERMINING
U.S. DEFICIT RESULTING FROM DEPLOYMENT OF U.S. FORCES IN EUROPE?

C. ON WHAT BASIS WOULD GAO DETERMINE ELIGIBILITY OF ALLIED
PAYMENTS TO U.S. TO BE INCLUDED AS "OFFSET?" MORE SPECIFICALLY:

(I) WOULD ALLIED PURCHASES OF MILITARY GOODS AND
SERVICES FROM PRIVATE U.S. FIRMS BE APPLIED AGAINST U.S. DEFICIT?

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(II) WOULD ALLIED MEDIUM OR LONG-TERM LOANS TO U.S. BE
INCLUDED AS OFFSET, IF DESIGNED FOR THAT SPECIFIC PURPOSE?

(III) WHAT PORTION OF THE EVENTUAL U.S-FRG OFFSET
AGREEMENT FOR FY 74 AND 75 WOULD BE APPLIED TO FY 74?

(IV) WOULD ANY FY 1972 ELEMENT OF U.S. CLAIMS ON FRANCE
BE INCLUDED AS PART OF ALLIED OFFSET?

D. WOULD ALLIES BE CONSULTED IN ANY WAY IN DETERMINATION
OF GAO'S RECONING?

3. WHAT "FORCES" WOULD BE WITHDRAWN IF FULL OFFSET IS NOT
ACHIEVED (I.E., ARE "FORCES" TO BE RECKONED IN TERMS OF
MANPOWER ONLY, OR IN TERMS OF MANPOWER AND EQUIPMENT, ON A
COST BASIS)?

5. IN ABOVE ANALYSIS, WE HAVE AVOIDED POINTING OUT OBVIOUS
DRAWBACKS IN AMENDMENT (SUBORDINATION OF SECURITY TO
BOP CONSIDERATIONS; FACT THAT WITHDRAWALS WOULD THREATEN
MOST THE COUNTRIES WHICH CONTRIBUTE MOST, PARTICULARLY FRG;

INCAPABILITY OF POORER COUNTRIES MOST, SUCH AS ICELAND,
TURKEY AND PORTUGAL ETC. TO CONTRIBUTE IN REALIZATION THAT THESE
ARGUMENTS HAVE ALREADY BEEN AILED.
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